

Message Text

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TO AMEMBASSY ROME

AMEMBASSY SAN SALVADOR

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USMISSION OECD PARIS

AMEMBASSY BERN

AMEMBASSY LONDON

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AMEMBASSY MADRID

AMEMBASSY DUBLIN

AMEMBASSY BONN

AMEMBASSY MEXICO

AMEMBASSY NASSAU

AMCONSUL HAMILTON

AMEMBASSY KINGSTON

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SUBJECT: TAX DEDUCTABILITY OF ATTENDANCE AT FOREIGN
CONVENTIONS

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REF: STATE 247043

1. REFTTEL DESCRIBED STATUS AS OF OCTOBER 17 OF PROVISION IN HOUSE WAYS AND MEANS COMMITTEE TAX REFORM BILL REGARDING DEDUCTABILITY OF EXPENSES INCURRED IN ATTENDING FOREIGN CONVENTIONS. COMMITTEE UNEXPECTEDLY REVERSED ITSELF ON AFTERNOON OF OCTOBER 22 AND RETURNED TO PREVIOUS POSITION OF BASIC EXCLUSION OF DEDUCTIONS FOR CONVENTIONS OUTSIDE NORTH AMERICA.

2. WHILE IT WILL BE AT LEAST SEVERAL DAYS BEFORE EXACT LANGUAGE IS AVAILABLE, WE UNDERSTAND IT WILL BE VERY SIMILAR TO PROPOSAL CONTAINED IN COMMITTEE PRINT OF AUGUST 25. THIS READS:

3.. "THE COMMITTEE LIMITED DEDUCTIONS ALLOWABLE FOR THE EXPENSES OF TAXPAYERS ATTENDING CONVENTIONS, EDUCATIONAL SEMINARS OR SIMILAR MEETINGS OUTSIDE NORTH AMERICA. THE GENERAL RULE AGREED TO BY THE COMMITTEE WAS THAT NO DEDUCTION IS ALLOWABLE FOR FOREIGN TRAVEL EXPENSES (INCLUDING EXPENSES FOR TRANSPORTATION, MEALS AND LODGING) FOR AN

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INDIVIDUAL WITH RESPECT TO A CONVENTION, SEMINAR OR SIMILAR MEETING HELD OUTSIDE NORTH AMERICA UNLESS, TAKING INTO ACCOUNT CERTAIN FACTORS, IT IS MORE REASONABLE TO HOLD THE MEETING OUTSIDE THE NORTH AMERICAN AREA. NORTH AMERICA IS DEFINED TO INCLUDE THE CARIBBEAN. (SEE PARA 7).

4. THE GENERAL RULE WOULD NOT APPLY TO A MEETING CONDUCTED BY AN ORGANIZATION WHICH HAS FOREIGN MEMBERS TO THE EXTENT THE NUMBER AND LOCATION OF ITS FOREIGN MEETINGS ARE REASONABLE IN LIGHT OF THE NUMBER OF FOREIGN MEMBERS AND THEIR GEOGRAPHICAL DISPERSION. PRESENT LAW RELATING TO THE ALLOCATPON OF EXPENSES WOULD CONTINUE TO APPLY IN ANY CASE WHERE THE TRAVEL EXPENSES ATTRIBUTABLE TO FOREIGN MEETINGS MAY STILL BE DEDUCTIBLE.

5. THIS RULE IS NOT INTENDED TO APPLY TO THE EXPENSES INCURRED IN ATTENDING A CONVENTION, ETC., AT A LOCATION THAT IS UNIQUELY SUITED TO THE PURPOSES OF THE CONVENTION, PROVIDED THAT THE ATTENDANCE AT THE CONFERENCE BY AN INDIVIDUAL IS RELATED TO HIS TRADE OR BUSINESS. THUS, A DEDUCTION

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WOULD BE ALLOWED IN THE CASE OF AN INDIVIDUAL WHO ATTENDS A MEETING CONDUCTED OR SPONSORED BY A DOMESTIC ORGANIZATION WHICH MEETS OUTSIDE NORTH AMERICA IF THERE IS A COMPELLING REASON FOR MEETING OUTSIDE, TAKING INTO ACCOUNT THE MEMBERSHIP AND PURPOSE OF THE ORGANIZATION. IN NO EVENT WOULD DEDUCTIONS BE ALLOWABLE FOR CRUISES."

6. DEPT. WILL CONVEY AGAIN TO THE COMMITTEE OUR CONCERNS

CONTAINED IN MCCLOSKEY'S SEPT. 18 LETTER TO CHAIRMAN ULLMAN. WE UNDERSTAND, HOWEVER, THAT A FINAL COMMITTEE VOTE ON EACH ITEM PLANNED WITHIN NEXT TWO WEEKS WILL ATTEMPT TO QUICKLY COVER ENTIRE BPLL WITHOUT REOPENING DEBATE ON INDIVIDUAL ITEMS. THEREFORE, WE ARE NOT OPTIMISTIC COMMITTEE CAN BE PERSUADED TO REVERSE ITSELF AGAIN ON THIS QUESTION.

7. NORTH AMERICA IS NOT CLEARLY DEFINED BUT WE UNDERSTAND IT IS INTENDED TO INCLUDE CANADA, MEXICO, AND BERMUDA ALSO.

8. COMMITTEE'S LATEST POSITION HAS ALREADY RECEIVED SOME PUBLICITY. DEPT HAS BEEN CONTACTED BY UK EMBASSY AND POSTS MAY BE CCONTACTED BY HOST GOVERNMENT OR TOURIST CONCERNS. IN THAT EVENT, SUGGEST POST INDICATE A) DEPT. POSITION ON THIS QUESTION CONTAINED REFTTEL; B) THAT WE ARE AGAIN CONTACTING COMMITTEE, AND C) THAT SINCE THERE IS STILL ONE MORE WAYS AND MEANS COMMITTEE VOTE, FOLLOWED BY FULL HOUSE VOTE AND LATER CONSIDERATION BY SENATE FINANCE COMMITTEE AND FULL SENATE, THE PROVISION HAS A LONG WAY TO GO BEFORE BECOMING LAW. INGERSOLL

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